

# HEALTH CARE

## **The President's 2008 Budget improves America's health care system by:**

- Making health care fairer, more affordable, more accessible and flexible;
- Strengthening health care for low-income and vulnerable populations; and
- Modernizing and improving Medicare and Medicaid.

**Making health care fairer, more affordable, more accessible and flexible:** The President's Budget includes a number of proposals that will level the playing field for workers who don't get health care through their employers and improve access to affordable health care for families, including:

- Standard Deduction for Health Insurance: Offers a \$15,000 standard deduction for health insurance for any family covered by at least a basic health insurance policy, whether it was purchased individually or through an employer.
- Affordable Choices Initiative: The HHS Secretary will work with Congress to develop health care marketplace reforms that redirect some portion of institutional payments so that States can help people with poor health or limited income buy insurance.
- Health Care Reforms: Restructure health insurance markets to enhance competition.
  - Establish association health plans that would allow small employers and community organizations to band together to negotiate lower health care costs; and
  - Allow people to buy health insurance across state lines which could increase competition while maintaining strong consumer protections.
- Health Savings Accounts (HSAs): Tax-favored savings accounts combined with qualifying high-deductible health insurance plans. Individuals can deposit tax-deductible funds into an account that can be used to cover medical costs.

## **Strengthening health care for low-income and vulnerable Americans:**

- State Children's Health Insurance Program (SCHIP): SCHIP has provided \$40 billion over the last 10 years to States to provide health care coverage to low-income, uninsured children who were not eligible for Medicaid. The 2008 Budget proposes to:
  - Reauthorize SCHIP for five years;
  - Increase funding by approximately \$5 billion over next five years;
  - Refocus the program on children at or below 200 percent of poverty levels as was originally intended to target resources to America's neediest children;
- HIV/AIDS: \$93 million for HIV testing to decrease the growth of new cases and reduce the future burden of disease.
- Indian Health Service: \$4.1 billion to finance health services for American Indians and Alaska Natives.
- Adolescent Health Promotion Initiative: \$17 million to support an effort to address increasing rates of obesity in children through proven, school-based prevention activities.

## **Modernizing and improving Medicare and Medicaid:**

- Medicare: In 2006, the Medicare Prescription Drug Benefit made its debut. The program has been an unparalleled success, with beneficiaries saving \$1,200 on average, when compared to not having drug coverage. Competition has worked to keep costs low. Average monthly premiums this year are not

increasing from 2006 levels, and projected costs of the program are 30 percent lower than initial estimates for the period of 2004-2013.

- The proposals included in the Budget will encourage appropriate, high-quality care for Medicare beneficiaries, while promoting efficient payments to providers. The proposals will also lower beneficiary premiums by nearly \$6 billion over the next five years.
  - In total, the Budget proposals will reduce the program's long-term unfunded liability by an estimated \$8 trillion over 75 years. Moreover, under current law, the assets of the Hospital Insurance (HI) trust fund would start to decline in 2015; the Budget proposals would reverse that decline and increase the value of the HI Trust Fund throughout the ten-year window.
- **Medicaid:** The 2008 Budget proposes reforms that enhance past efforts to create service efficiencies and to assure the fiscal integrity of Medicaid. Even with these changes, the Medicaid baseline continues to grow at a robust average annual rate of more than seven percent. The FY 2008 reforms include:
    - Pharmacy Reforms: Building on reforms in the Deficit Reduction Act of 2005 to further rationalize Medicaid payments for prescription drugs and to give States more tools to manage drug spending.
    - Program Integrity: Improving Medicaid management that will help States avoid paying unnecessary costs through improved third-party liability reforms and more effective Medicaid eligibility processes.
    - Long-term Care: Ensure that Medicaid long-term care services are protected for those who need it most by removing the State option to define substantial home equity between \$500,000 and \$750,000.
    - Pay-for-Performance: Requiring States to report on performance measures and link their performance to Federal Medicaid grants.
    - Reimbursement Reform: Aligning Federal reimbursement for administrative services and targeted case management to create consistency in matching rates across these activities.